Annual Report 2000

bühler

Company Profile

Buhler Industries Inc. was established in 1933 and operated as Standard Gas Engine Works until the founder, Mr. Adolf Krushel, sold the Company to John Buhler. The Company has grown to become a significant player in the farm equipment industry.

Today, the Company operates five highly modern manufacturing plants and six distribution centers totaling over 1,000,000 square feet of facilities and employing over 1,000 people. The Company remains strongly committed to its core business as a manufacturer of a wide range of agricultural equipment marketed throughout North America under four primary brand names: **"Allied"**, **"Farm King"**, **"Buhler Versatile"** and **"Buhler Genesis"**. In recent years however, the Company has expanded through diversification into new areas of manufacturing, identifying a few select market niches in custom steel fabrication. The Company's laser division and Bradley Steel division serve as the focal points for expanding the custom steel fabrication service.

In 1998, the Company entered into a joint venture agreement with Weidemann of Germany to distribute and manufacture a line of wheel loaders, also sold under the brand name **"Buhler"** and "**Buhler Weidemann"**

To our Shareholders

Since I was sixteen, my dream was to build tractors. Fifty years later the dream has come true. I have also achieved a long time goal of having 1,000 employees.

The purchase of the last tractor factory in Canada from New Holland Canada Ltd. was the big event of the year. We were very proud of the fact that we saved the jobs of approximately 350 people, however, the hourly employees were not happy with our company as the new owner and chose to go on strike on November 3rd. As of December 29th, we have not been able to come to terms. We do not know what the future of the tractor factory will be, but we have produced some product with temporary help and are hopeful that we will soon be back in full production.

I would like to acknowledge the efforts of our management team under the guidance of President and Chief Operating Officer, Craig Engel, P.Eng. Craig and his team have done an excellent job and have produced record profits in spite of a depressed agricultural economy.

Our sales increased significantly as a result of the Versatile purchase, however, all of the profits were generated from our core products. Your Company has consistently reported gross margins of over 30%. This margin will be reduced in the future as tractor sales do not carry the same margin. We do expect that the purchase of the tractor factory will be accretive to earnings in the future.

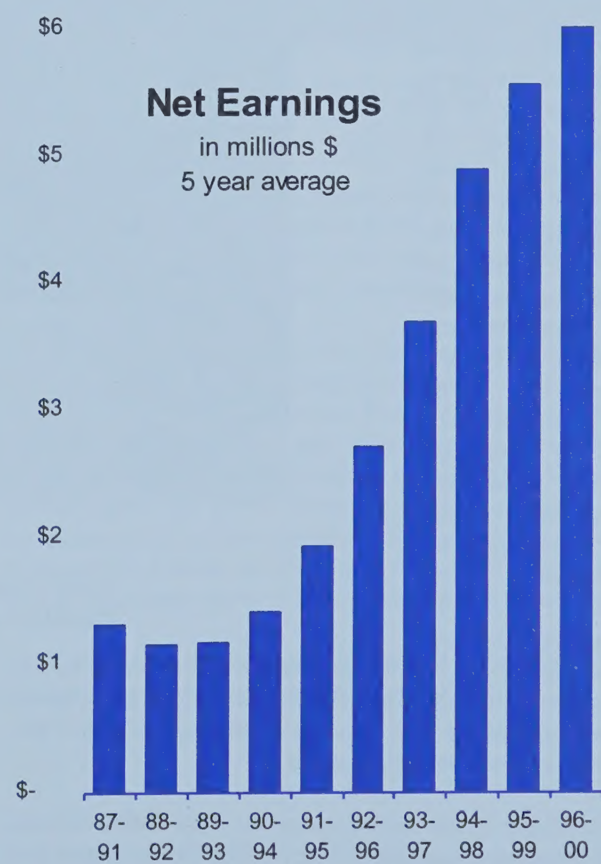
38% of our employees are shareholders and as a result of their hard work they are sharing in the success of their Company. A big "Thank You" to all.

John Buhler,
Chairman & CEO.

Ten Year Highlights

In thousands of Canadian dollars (except per share amounts)

Year ended Sept. 30,	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Revenue	22,790	23,827	33,583	48,040	56,575	66,517	85,375	89,194	79,961	116,700
Gross profit	7,334	7,327	8,273	13,052	16,522	21,288	27,060	29,243	26,207	30,302
EBITDA	3,435	3,166	3,193	5,848	8,593	11,709	15,668	17,595	14,488	15,882
Shareholders equity	14,068	14,867	16,647	20,702	25,317	31,811	37,497	44,790	47,327	51,659
Capital expenditures-net	2,364	1,952	969	9,369	7,884	9,552	12,253	5,917	5,960	17,278
Number of employees	228	238	315	400	450	525	600	600	600	1,000
Earnings per share	0.07	0.06	0.06	0.12	0.18	0.22	0.26	0.29	0.24	0.30
Book value per share	0.74	0.78	0.88	1.04	1.22	1.38	1.57	1.80	1.93	2.13
Shares issued (millions)	19.0	19.0	19.0	20.0	20.8	23.0	23.9	24.9	24.5	24.2
Return on average capital	13%	9%	10%	11%	18%	19%	24%	26%	18%	14%
Return on average equity	10%	8%	7%	13%	16%	18%	18%	17%	13%	15%

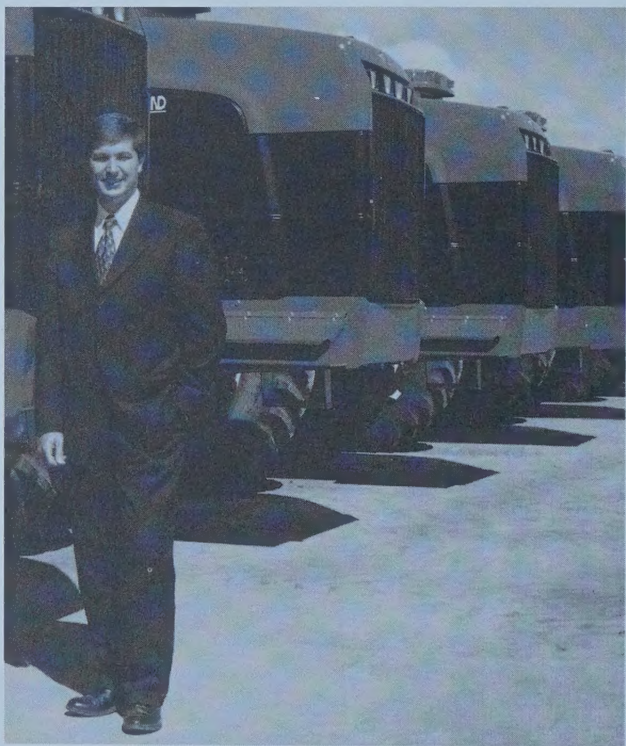


The Company has a record of 32 consecutive years of profits. With the exception of the small annual dividends, all profits are invested in modernization of facilities and equipment. Leaving most of the profits in the company provides ready cash for acquisition opportunities that usually arise towards the end of a lengthy depressed agricultural economy.

Management Discussion & Financial Analysis

During the year 2000 our industry did not see a material improvement in either the commodity prices or the overall agricultural economy. I am, however, proud to report that our Company performance reached a new high in sales and profits. Our core products (Farm King and Allied farm equipment), which are now being marketed under the common brand name "Buhler", achieved record high sales and were the major contributor to profit.

In spite of the unchanged economy, the year was filled with corporate change:
During the year we decided to close our True Value retail operations. Growing retail competition and our desire to focus our efforts on our core operations led us to this decision. We also completed the sale of the Furniture Division as resolved during the 1999 Annual Meeting. Our Company's management expertise is agriculture based and we have now completed our 2-year goal of narrowing the Company's diversity and allowing management to focus their efforts more on our core agricultural businesses.



Craig Engel, P.Eng.
President and Chief Operating Officer

During the year, we added the Inland line of bale movers and round balers. These products compliment Buhler's current ag products and will assimilate well into our marketing, sales and distribution systems already in place.

The purchase of the tractor operation from New Holland, under the supervision and scrutiny of the United States Department of Justice, was well publicized. The operation was being sold under duress and was in our own "back yard" producing a product line which would not only compliment our existing ag lineup, but would also arm the Company with its first major line of equipment. Knowing these elements, it was obvious that we should attempt the purchase.

The nine-month effort proved successful and on July 31, 2000 we took possession of the facility. On November 3, 2000 the unionized plant workers decided to strike and walked off the job. Our strong cash position has allowed us to honor our commitments to suppliers and we have continued to bring inventory into the facility, while realizing that the strike will not likely be settled quickly. We are, however, confident that we will continue producing tractors. We are continuing to develop our retail distribution channels as we prepare to capture our market share with these well-respected products. Fundamental marketing and engineering efforts will not be delayed due to the strike. Our systems, products and dealer network will be established and ready to spring into action upon conclusion of the strike, regardless of its duration.

The Buhler 56 wheel loader continues to be tested. 5 pre-production units are in production and will be sold to local operators so monitoring can continue. The Buhler 56 is expected to be released for full production in late 2001. The Weidemann models of wheel loaders continue to gain recognition in the market place. Competition is severe, but we are patient knowing that our names are becoming more recognized and that the machines are gaining the respect of the end consumers.

Our new grain auger design was introduced this year with excellent results. The new features are recognized by farmers and have resulted in increased sales. Our new frameless front-end loaders have completed extensive lab and field-testing and are now being offered to dealers. Re-

Management Discussion & Financial Analysis

sponse has been positive and these new loader models will continue to be developed to target the newest tractors currently on the market.

Our Progressive Manufacturing and Tool Divisions are now combined and operating out of their new 25,000 sq. ft. facility. These operations have allowed us to pursue more custom and light gauge work, as well as to supply our other manufacturing divisions with light gauge parts at a reduced cost. The Tool Division has also been able to conclude a distribution agreement with Truper tools, a worldwide company that has a complete line of hand and striking tools, but is without winter tools currently produced by the Tool Division. Together, the Tool Division has a complete selection of hand tools to offer smaller and larger retailers. Response of the Truper line has been positive and has also facilitated more sales of tools manufactured by the Division.

The Genesis Tractor, ranging from 145 to 210 HP.

Aside from the corporate acquisitions and divestments, the Company continued with its commitment to keep itself modern and efficient by purchasing $6.1 million dollars of new equipment during the year. This will ensure the Company is prepared for long term manufacturing efficiencies.

Our factories continue to operate very efficiently at about 50% of their total capacity and I am proud of the performance during another year of poor ag economy and amidst the largest acquisition in the Company's history.

Buhler-56 Wheel Loader

As reported last year, the Company will continue to pursue acquisitions and prepare itself to fulfill the inherent pent up demand for our products, which is typically satisfied in the years following poor economic conditions.

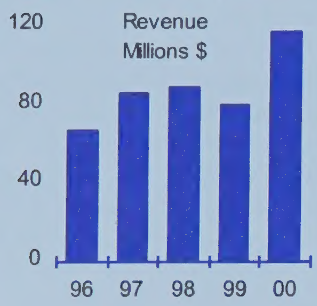
Although the tractor sales have the potential of significantly increasing the Company's revenues during the next year, we must all keep in mind that this will result in decreases in gross margin and only nominal increases in profit. Over time, and with change in the tractor operation, we anticipate the profits from the tractor operation will contribute more to the Company's bottom line. The profit levels realized from our other operations will allow us the cash flow and net profit to revamp the tractor operations.

The Company's Management Team and I look forward to another year of change and challenge in 2001.

Craig Engel, P.Eng.
President & Chief Operating Officer
December 15, 2000

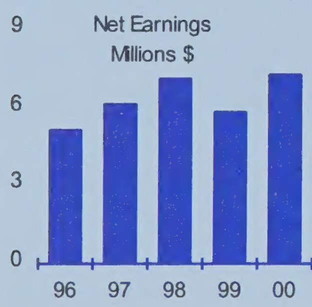
Management Discussion & Financial Analysis

Sales and Growth

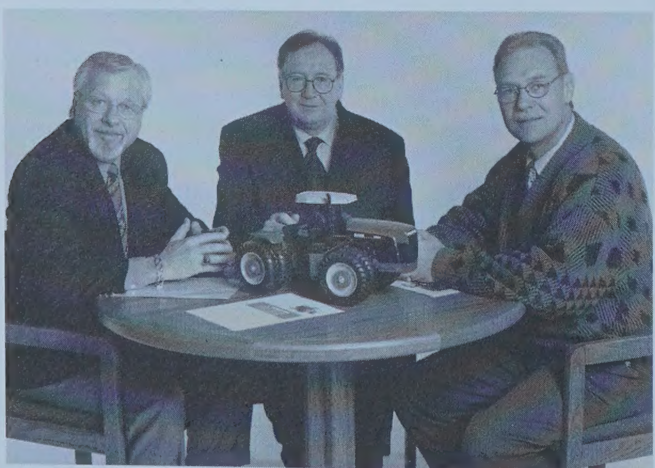


Revenue for fiscal year 2000 exceeded our last years forecast of flat revenue. Sales of our core products were at record levels in spite of the depressed market. Added to the sales were 6 weeks of tractor production and this added revenue brought the sales to the present level of 116 million. New loaders, re-designed augers and the Inland brand of haying equipment were introduced to our dealers late in the summer of 2000 and are expected to make a significant contribution to increased revenue in fiscal 2001. If the labor disputes are settled at the tractor factory, we will likely see revenue doubled in 2001.

Earnings

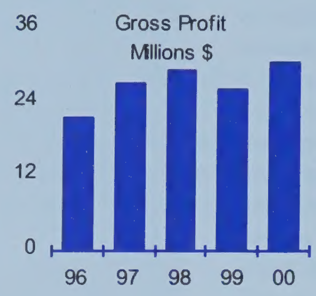


Earnings also exceeded last years' forecast to a record of $7.3 million. We are pleased with the results. Much of the increase in earnings can be attributed to the extra effort that was put into cost reduction and part is as a result of the extraordinary income earned from the sale of the furniture division. While the tractor factory sales contributed to revenue, it did not contribute to earnings due to the short period of operation. It is anticipated that the tractor subsidiary could make a small contribution to earnings in fiscal 2001 and the Company might very well have another record year of net earnings.



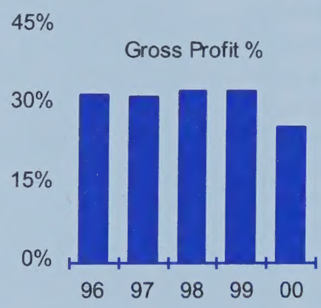
(L-R) Larry Schroeder, VP Marketing; Ken Kidd, Mgr. Tractor Div; and Art Enns, Field Sales Manager, discussing marketing strategy for the tractor division.

Gross Profit



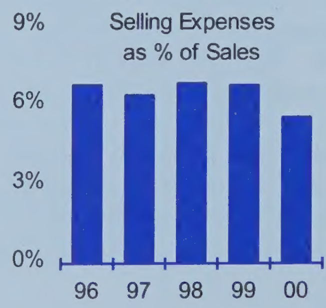
Gross profit reached record level and will likely continue to grow as revenue increases in spite of the reduced percentage that is shown in the chart below. The Company will continue to monitor gross margin and concentrate on cost reduction in order to continue to provide shareholder value.

Gross Profit as Percentage of Revenue

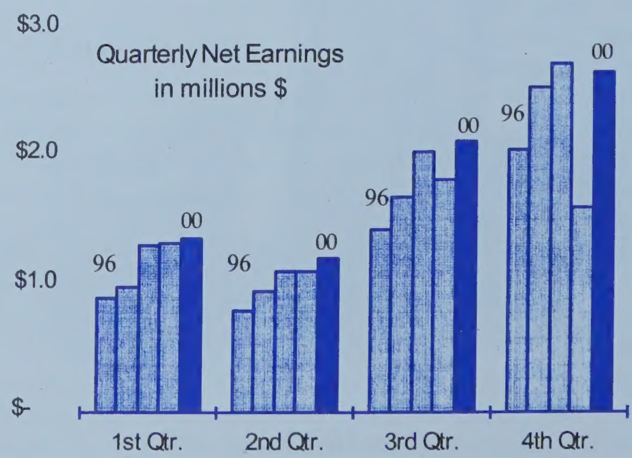


Gross profit has always been very constant with an average gross margin of over 30% over the past 10 years. Gross profits in the tractor business are much lower and the tractor sales in the last 6 weeks of fiscal 2000 are responsible for the reduction shown on this chart. With increased tractor sales gross margins could be reduced to 20% .

Selling Expenses

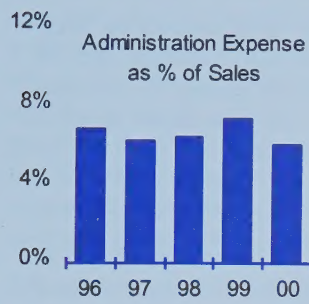


Selling expenses as a percentage of revenue decreased slightly and will likely decrease further in future years. Tractors have a much higher price than product traditionally sold by Buhler and therefore this expense ratio will reduce even more in 2001.



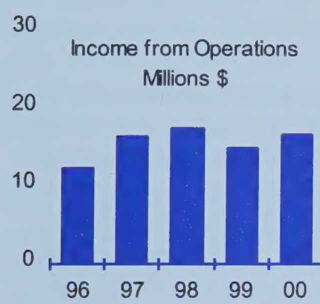
Management Discussion & Financial Analysis

Administration Expenses



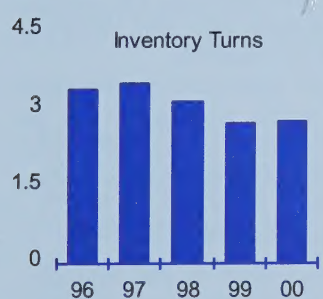
Considering the additional costs incurred in completing the tractor factory acquisition we are very pleased that the administration expenses have decreased as a percentage of revenue. We expect further decreases in the administration expense ratio.

Income from Operations



Income from operations increased by 12% over last year to a near record level of $17 million. Historically income from operations has averaged 15%. This percentage is expected to be lower in future as a result of the reduced margins on tractors.

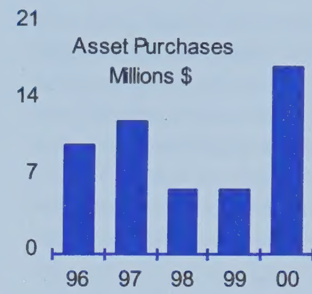
Inventory Turns



We are not pleased with turns of 2.8. The acquisition of the tractor factory and the general slowdown in the farm economy has forced us to carry a higher than usual inventory, but with good management we expect that turns will improve.

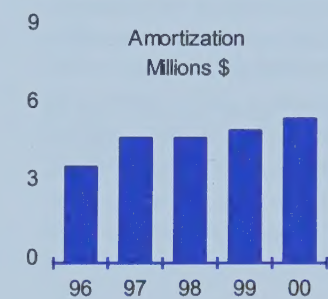
(L-R) Rick Kneeshaw, CIM, Morden Operations Manager; Eric Allison, OEM Manager; and Gil Rossong, CIM, Winnipeg Operations Manager, discussing staff requirements with Helen Bergen, CHRP, Human Resource Manager.

Capital Asset Purchases



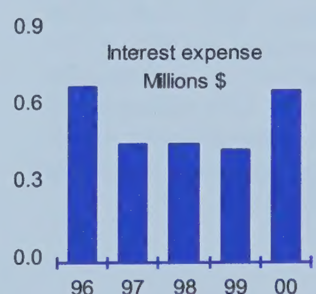
Over the past 7 years, the Company has purchased approximately $65 million of capital assets (including the most recent tractor factory). Future capital asset purchases will likely be reduced to approximately the amount of the annual depreciation. This ensures that the factories are continuously updated with state of the art equipment in order to maximize efficiency.

Amortization



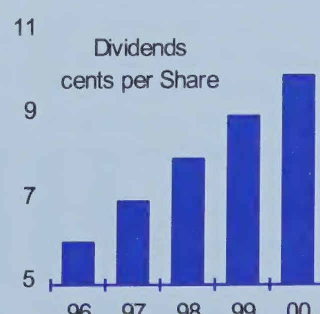
Amortization of $5.5 million is higher than usual. This is due to the number of asset purchases in fiscal 2000 and previous years. We expect that this cost will possibly come down in future years as many of the assets will soon be fully depreciated.

Interest Expense



Interest expense increased as a result of the tractor factory purchase and could increase again in 2001 due to the anticipated increase in inventory and accounts receivable that will be required in order to carry on the operation of the tractor business. The assumption of the interest free Industry Canada loan from New Holland Canada should moderate the increase.

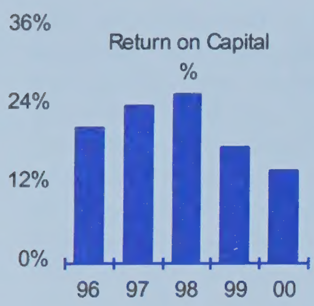
Dividends



The Directors have declared an annual dividend of $0.10 to shareholders of record on December 29th, 2000. This is the 8th annual increase in dividends and the Company expects that dividend increases will continue as long as net earnings continue to increase.

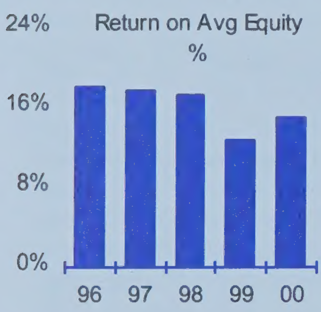
Management Discussion & Financial Analysis

Return on Capital



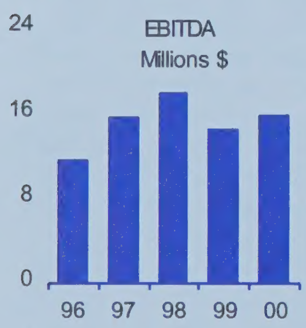
Return on capital is much lower than expected. This is due to the large capital purchases in this fiscal year and the significant increase in long-term debt. We expect that as assets are depreciated and the debt is reduced, we will once more return to an ROC of over 20%.

Return on Equity

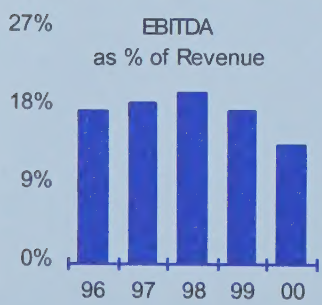


Return on Equity is also lower than anticipated. Total equity is now over $50,000,000 and with earnings still relatively flat, the higher equity causes a lower percentage.

EBITDA



Earnings before interest, taxes and depreciation increased by 10% to $16 million. An improvement in the farm economy will be required before we see any significant increase in EBITDA.



EBITDA as a percentage of revenue is lower due to addition of tractor sales in the last 6 weeks of fiscal 2000. Tractor sales carry a much lower margin and as a result we expect this % will be even lower in year 2001. EBITDA of 15% is quite acceptable in the farm equipment sector.

Corporate Governance

The Company is making every effort to comply with the TSE guidelines on Corporate Governance. Complete governance details are described in the Annual Information Form.

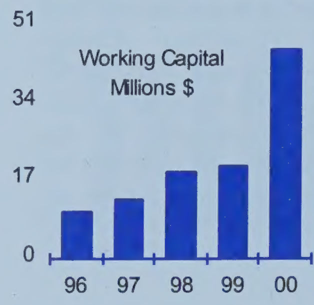
Normal Course Issuers Bid

In September 2000, the Company again announced intentions to purchase up to 1 million shares through the Toronto Stock Exchange. To date, including the previous two year's bid, the Company has purchased approximately 885,000 shares for cancellation.

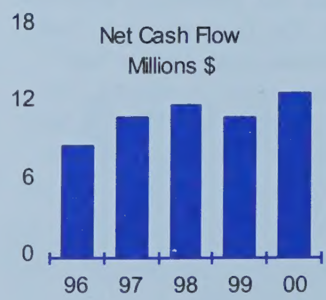
Risks

Management considers fluctuations in commodity prices and fluctuations in the Canadian dollar to be a normal part of conducting business in this industry. The Company considers the degree of risk to be minimal.

Liquidity

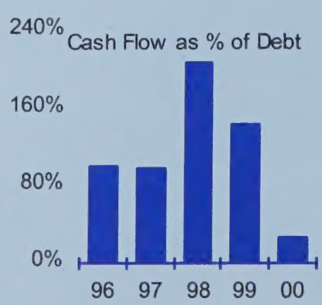


The significant increase in working capital to $45.6 million comes as a result of the increase in long-term debt. The healthy working capital position ensures that the Company will be able to endure a long term strike and enables the Company to continue to pay bills promptly and take advantage of all cash discounts offered by suppliers.



In spite of the depressed farm economy, the Company produced a record cash flow of $13 million.

Cash flow is the sum of net after tax earnings plus amortization.



For many years we have been proud of the fact that one year's cash flow was sufficient to pay off the short and long term debt. Now as a result of the purchase of the tractor factory, we have a 27% ratio which means that it will require 4 year's cash flow to pay off all debt.

Management's Responsibility For the Financial Statements

The consolidated financial statements of Buhler Industries Inc. were prepared by management in accordance with accounting principles generally accepted in Canada applied on a consistent basis. The significant accounting policies, which management believes are appropriate for the Company, are described in note 1 to the financial statements. The financial information contained elsewhere in this Annual Report is consistent with that in the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board is responsible for reviewing the annual consolidated financial statements and reporting to the Board, making recommendations with respect to the appointment and remuneration of the Company's Auditors and reviewing the scope of the audit.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.

James H. Friesen
Chief Financial Officer
December 15, 2000

Larry Schroeder
Vice President

Auditor's Report

To The Shareholders of Buhler Industries Inc.

We have audited the consolidated balance sheet of Buhler Industries Inc. as at September 30, 2000 and 1999 and the consolidated statement of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

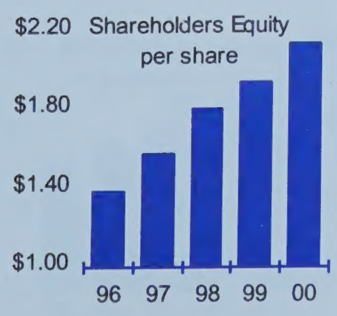
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

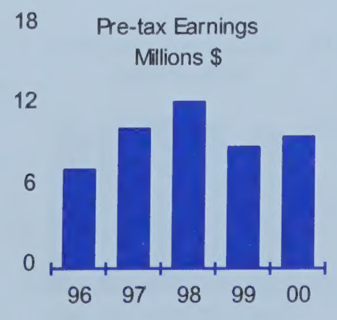
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

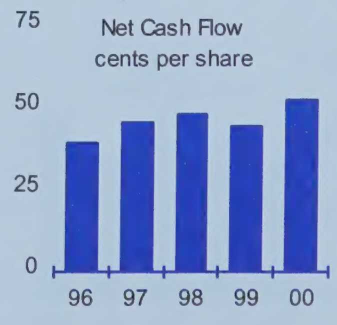
Winnipeg, Manitoba
December 15, 2000

Gisleson Tongownik Peters.

Certified General Accountants







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Consolidated Statements of Earnings

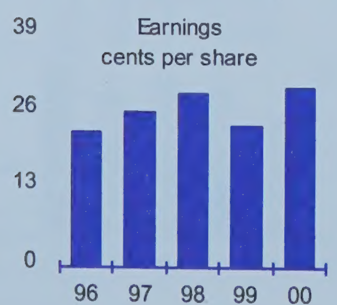
For the years ended September 30 ($000's)

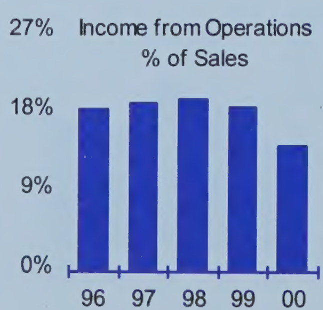
	2000	1999	
Revenue	**$ 116,700**	$ 79,961	
Cost of goods sold	**86,398**	53,754	
Gross Profit	**30,302**	26,207	32.8%
Selling expenses	**6,500**	5,412	6.8%
Administration expenses	**7,013**	5,852	7.3%
Income from Operations	**16,789**	14,943	18.7%
Gain on sale of capital assets	**(1,039)**	(346)	
Interest expense (note 8)	**671**	434	0.5%
Amortization	**5,520**	5,126	6.4%
Research and technical expenses	**1,043**	577	0.7%
Non-controlling interest	**903**	224	
Net earnings before Taxes	**9,691**	8,928	11.2%
Income Taxes (note 10)	**2,393**	3,131	
NET EARNINGS	**$ 7,298**	$ 5,797	7.2%

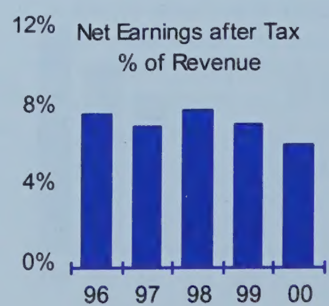
Consolidated Statements of Retained Earnings

For the years ended September 30 ($000's) except per share amounts

	2000	1999
Retained Earnings beginning of year	**$ 28,957**	$ 26,082
Net earnings for the year	**7,298**	5,797
Dividends	**(2,209)**	(1,992)
Retirement of shares (note 9)	**(707)**	(930)
Retained Earnings end of year	**$ 33,339**	$ 28,957
Earnings per share (note 13)		
Basic	**$ 0.30**	$ 0.24
Fully diluted	**$ 0.30**	$ 0.23







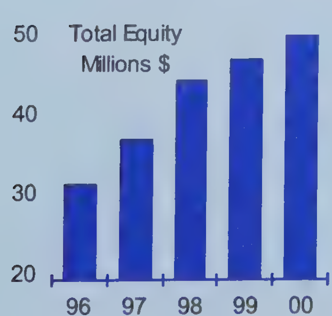
Consolidated Balance Sheets

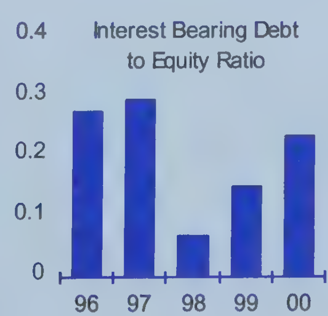
For the years ended September 30 ($000's)

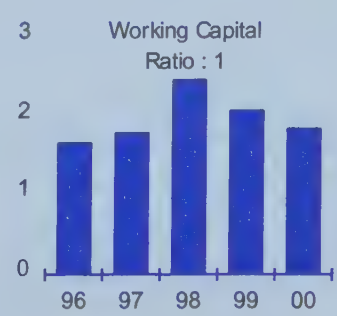
	2000	1999
ASSETS		
Current Assets		
Accounts receivable	$ 46,242	$ 13,647
Land for development (note 2)	-	628
Inventories (note 2)	52,846	19,982
Prepaid expenses	547	146
Total Current Assets	99,635	34,403
Loan receivable (note 7)	7,331	11,130
Capital assets (note 3)	42,065	29,175
Investments - at cost	42	135
Total Assets	$ 149,073	$ 74,843
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (note 4)	$ 12,040	$ 4,043
Account payable and accrued liabilities	41,998	8,312
Current portion of long term debt	-	1,840
Total Current Liabilities	54,038	14,195
Advances from related party (note 5)	3,350	504
Long term debt (note 6)	31,850	1,200
Deferred income taxes	845	487
Total Liabilities	90,083	16,386
Non-controlling interest (note 7)	7,331	11,130
SHAREHOLDERS' EQUITY		
Share capital (note 11)	18,320	18,370
Retained earnings	33,339	28,957
Total Shareholders' Equity	51,659	47,327
Total Liabilities and Equity	$ 149,073	$ 74,843

Approved on behalf of the Board:

Director: ***Director:*** Edward Kenny







Consolidated Statement of Cash Flows

For the years ended September 30 (000's)

	2000	1999
Cash provided by (used in) operating activities		
Net earnings	$ 7,298	$ 5,797
Add (deduct) non-cash items		
Amortization	5,520	5,126
Gain on disposal of assets	(1,039)	(346)
Deferred income taxes	358	(88)
	12,137	10,489
Net change in non-cash working capital balances*	(31,546)	(3,610)
	(19,409)	6,879
Investing activities		
Acquisition of Subsidiary	-	(1,981)
Purchase of capital assets, net of investment tax credits	(18,360)	(4,483)
Proceeds on sale of capital assets	1,089	256
Investments	(7)	743
	(17,278)	(5,465)
Financing activities		
Issuance of share capital	190	66
Retirement of shares (note 11)	(947)	(1,334)
Increase in long term debt	31,850	3,300
Repayment of long term debt	(3,040)	(883)
Advances (repayment) from related party	2,846	(2,266)
Dividends paid	(2,209)	(1,992)
	28,690	(3,109)
Net cash used in the year	(7,997)	(1,695)
Bank indebtedness, beginning of year	(4,043)	(2,348)
Bank indebtedness, end of year	$ (12,040)	$ (4,043)

***Net change in non-cash working capital balances is comprised of**

(net of effects of acquisition of susidiary)		
Accounts receivable	$ (32,595)	(628)
Inventories	(32,236)	(1,145)
Prepaid expenses	(401)	57
Accounts payable and accrued liabilities	33,686	(1,894)
Net cash used	$ (31,546)	$ (3,610)

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and all of its subsidiaries, including a 50% joint venture interest in Bradley Steel Processors Inc., which is accounted for using proportionate consolidation.

(b) Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) and net realizable value. It is the Company's policy to record provisions for obsolete and slow moving inventory based on management estimates. These estimates are necessarily subject to a degree of measurement uncertainty.

(c) Capital assets and amortization

Capital assets are recorded at cost less accumulated amortization and related investment tax credits. Amortization is provided over the estimated useful lives using the following rates and methods:

Buildings	4 to 5 %	Straight line
Equipment	20 to 30%	Declining balance
Computers	30%	Declining balance
Software and tools	100%	Year acquired
Goodwill	5%	Straight line

(d) Foreign currency translation

The accounts of the United States subsidiary, which is considered an integrated foreign operation, have been translated into Canadian dollars on the following basis:

1) monetary assets and monetary liabilities at the year- end rates of exchange;
2) non-monetary assets and related amortization at rates prevailing at dates of transactions;
3) revenue and expense items, other than amortization, at the average rate for the year.

The resulting currency translation gains and losses are included in earnings.

(e) Financial instruments

Foreign exchange and interest rate risk

These are the risks to the Company's earnings that arise from fluctuations in interest rates and foreign exchange rates. The Company does not use any derivative financial instruments to reduce its exposure to interest rate or foreign exchange rate risk.

Credit risk

The Company is exposed to credit risk on its accounts receivable. .

Fair value

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

2. INVENTORIES *(000's)*

	2000	1999
Land for development	**$ 1,600**	$ 628
Finished goods	**26,975**	13,442
Work in process	**10,373**	942
Raw materials	**13,898**	5,598
	$ 52,846	$ 20,610

3. CAPITAL ASSETS *(000's)*

			2000	1999
	Cost	Accum. Amort.	**Net Book Value**	Net Book Value
Land	4,032	0	**4,032**	$ 3,386
Buildings	23,912	6,500	**17,412**	14,111
Equipment	36,804	19,705	**18,099**	10,350
Goodwill	392	38	**354**	368
Computers	4,140	1,973	**2,167**	807
Software & tools	835	834	**01**	153
	$70,115	$28,150	**$42,065**	$29,175

4. BANK INDEBTEDNESS *(000's)*

	2000	1999
Cash on hand	**$ 8**	$ 8
Bank accounts	**88**	46
Outstanding cheques	**(9,136)**	(2.097)
Revolving credit	**(3,000)**	(2,000)
Bank overdraft	**$ (12,040)**	$ (4,043)

Bank indebtedness is secured by a mortgage, a general security agreement and assignment of receivables and inventory.

5. ADVANCES FROM RELATED PARTY

The advances from Highland Park Financial Inc., a Corporation which owns approximately 70% of the voting shares of the Company and which is 100% owned by Mr. John Buhler, are non-interest bearing and have no specific terms of repayment. The loan fluctuates throughout the year and Highland Park Financial Inc. reserves the right to charge interest at bank prime in the event that it becomes a permanent facility.

The Company has provided a guarantee to Highland Park Financial Inc. on a $2.2 million dollar promissory note due from the Company's Deferred Profit Sharing Plan (see note 14).

6. LONG TERM DEBT *(000's)*

	2000	1999
Bank of Montreal term loan	**$ 0**	$ 3,040
Industry Canada	**31,850**	0
Current portion	**0**	1,840
Long term debt	**$ 31,850**	$ 1,200

The Industry Canada interest free loan is repayable in 120 equal monthly installments of $265,000 commencing on July 31, 2003. In the event of default of any payment, the entire balance then outstanding shall, after the expiry of 30 days, bear interest and become due and payable in accordance with the Interest and Administrative Charges Regulations enacted pursuant to the Financial Administration Act of Canada.

The Company has available a financing facility with the Bank of Montreal of $35 million. The credit facility is secured by a mortgage, debenture and assignment of receivables and inventory. Interest rates are based on bankers' acceptances plus an applicable stamping fee. All interest rates are at prime or less.

7. NON-CONTROLLING INTEREST

During the 1999 fiscal year, Buhler Industries Inc. created a controlled manufacturing partnership operating as Buhler Manufacturing, through which most of the manufacturing activity is now conducted. The partnership was formed to optimize the organizational structure and efficiency of the Company.

The non-controlling interest represents a partner's interest in the assets, liabilities & income in the partnership. The partnership's financial activities have been accounted for by consolidation.

The loan receivable is due from the non-controlling partner and is repayable based on distributions of income from the partnership. Interest is being charged and the note is secured.

Notes to Consolidated Financial Statements

8. INTEREST *(000's)*

	2000	1999
Operating loan	**$ 535**	$ 239
Long term debt	**136**	195
	$ 671	$ 434

9. RETIREMENT OF SHARES

The total cost of share retirement for 2000 was $947,000. Share capital was reduced by $240,000 to reflect the original cost of the shares and contributed surplus was reduced by $707,000 to reflect the additional cost of retirement. A total of 319,600 shares were purchased through the Normal Course Issuers Bid.

10. INCOME TAXES *(000's)*

	2000	1999
At Canadian statutory rate	**$2,839**	$ 3,124
Differences from statutory rates relating		
Expenses not deductible for tax purposes	**25**	21
Other	**(471)**	(14)
Income tax provision	**$ 2,393**	$ 3,131

The Company has investment tax credits and operating loss carry forwards of $1.0 million that are available to be applied against certain taxable income in future years. The potential tax benefits that may result from claiming these have not been recognized. The investment tax credits and operating loss carry forwards expire as follows:

Invest. Tax credit	Expiry date	Loss carried fwd.
$ 0	2002	$ 84
0	2003	524
2	2004	15
17	2005 & thereafter	410

11. CAPITAL STOCK AND OPTIONS *(000's)*

Authorized, an unlimited number of common shares.

	2000		1999	
	No. of Shares	**$**	**No. of Shares**	**$**
Issued as at Sept. 30	**24,225**	**$18,320**	24,459	$18,370
Options exercised & shares cancelled (net)	**(235)**	**(50)**	(508)	(338)

Options Outstanding	Exercise Price	Expiry Date
339	$2.20	Jan 29, 2002
3	2.80	Jan 29, 2002
55	3.35	Jan 29, 2005

12. BUSINESS ACQUISITION AND DISPOSAL

On July 31, 2000, the Company acquired the Winnipeg tractor factory from New Holland Canada Ltd. The acquisition included land, buildings, equipment, furniture, fixtures and the rights to manufacture certain tractors such as the Genesis two wheel drive and the Versatile four wheel drive. The purchase included all the intellectual property for the over 140 HP 2 and 4 wheel drive tractors.

The wholly owned subsidiary, Buhler Furniture Inc., was sold during the year to a related party as previously approved by shareholders. The gain on this sale was $898,000. Included in the accounts receivable relating to this sale is $7.6 million which has been subsequently paid.

13. EARNINGS PER SHARE

Earnings per share is calculated using a weighted average number of shares outstanding during the year. Fully diluted earnings per share is calculated reflecting the dilutive effect of the options outstanding at September 30, 2000.

14. DPSP & PENSION PLAN

In 1995, the Company established a Deferred Profit Sharing Plan for its employees. The Company contributes funds to the plan annually as determined by the Board of Directors, subject to certain maximum limits established by the plan. Contributions are used to purchase common shares of the Company for the employees from the plan trust. In 2000, the Company contributed $125,000 to the plan (1999-$125,000) The plan trust owns approximately 1.3 million shares.

The Company has a defined benefit pension plan covering certain hourly paid employees at its' subsidiary, Buhler Versatile Inc.

As of September 30, 2000 the asset value of the plan was $28,968,000 and the pension plan obligations are estimated to be $28,900,000.

15. SEGMENTED INFORMATION *(000's)*

The Company's primary business activity is in the agricultural equipment industry. Non-agricultural operations are mostly custom metal fabrication.

	2000		1999	
	Canada	**US**	Canada	US
Revenue	**$ 107,700**	**$ 9,000**	$ 73,000	$ 7,000
Earnings	**7,000**	**300**	5,300	500
Capital Assets	**40,500**	**1,600**	27,500	1,500
	Ag	**Non-Ag**	Ag	Non-Ag
Revenue	**$ 94,700**	**$ 22,000**	$ 58,000	$ 22,000
Earnings	**6,200**	**1,100**	4,700	1,100
Assets	**147,000**	**2,000**	58,000	17,000

Included in Canadian revenue are export sales, primarily to the United States, of $40 million (1999 - $33 million).

Revenue from one customer was $25 million and from another long-term customer was $15 million.

Ten Year Summary

Year Ended September 30,	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
						In thousands of Canadian dollars (except per share amounts)				
SUMMARY OF OPERATIONS										
Revenue	22,790	23,827	33,583	48,040	56,575	66,517	85,375	89,194	79,961	**116,700**
Cost of goods sold	15,456	16,500	25,310	34,988	40,053	45,229	58,315	59,951	53,754	**86,398**
Gross profit	7,334	7,327	8,273	13,052	16,522	21,288	27,060	29,243	26,207	**30,302**
Selling expenses	2,052	2,140	2,254	3,287	3,638	4,496	5,438	6,093	5,412	**6,500**
Administrative expenses	1,737	1,801	2,521	3,191	3,821	4,585	5,309	5,730	5,852	**7,013**
Income from operations	3,545	3,386	3,498	6,574	9,063	12,207	16,313	17,420	14,943	**16,789**
(Gain) on sale of capital assets	-	-	-	-	-	-	-	(727)	(346)	**(1,039)**
Interest expense	1,193	778	518	518	1,063	679	457	458	434	**671**
Amortization	738	1,119	940	2,416	2,727	3,685	4,809	4,808	5,126	**5,520**
Research & development exp.	110	220	305	726	470	498	645	552	577	**1,043**
Non-controlling interest	-	-	-	-	-	-	-	-	224	**903**
Net Earnings before taxes	1,504	1,269	1,735	2,914	4,803	7,345	10,402	12,329	8,928	**9,691**
Income taxes	259	91	593	493	1,100	2,212	4,271	5,216	3,131	**2,393**
NET EARNINGS	**1,245**	**1,178**	**1,142**	**2,421**	**3,703**	**5,133**	**6,131**	**7,113**	**5,797**	**7,298**
CASH FLOW SUMMARY										
Capital asset purchases	2,364	1,952	969	9,369	7,884	9,552	12,253	5,917	5,960	**17,278**
Long-term debt incurred	1,439	-	-	-	2,587	-	1,201	-	2,417	**31,656**
Reduction of long-term debt	-	1,205	1,085	40	-	1,689	-	7,696	-	**-**
Dividends	-	176	10	623	832	1,097	1,432	1,703	1,992	**2,209**
Net cash flow	2,242	2,388	2,675	5,150	6,430	8,573	10,940	11,921	10,923	**12,818**
Bank cash (indebtedness)	(5,766)	(3,774)	(1,646)	(3,713)	365	(1,576)	(2,724)	(2,348)	(4,043)	**(12,040)**
BALANCE SHEET SUMMARY										
Acc'ts rec, cash & ppd. exp.	6,198	5,187	5,768	7,912	8,616	13,386	12,352	12,996	13,793	**46,789**
Inventory	12,757	11,250	10,383	10,418	12,792	13,188	16,586	19,014	20,610	**52,846**
Total current assets	18,955	16,437	16,151	18,330	21,408	26,574	28,938	32,010	34,403	**99,635**
Total assets	30,135	28,275	27,683	36,622	44,180	54,341	60,716	61,139	74,843	**149,073**
Total current liabilities	7,874	6,354	4,484	9,588	9,731	16,108	16,131	13,004	14,195	**54,038**
Total short and long term debt	13,809	10,644	7,431	9,459	10,409	10,034	11,246	5,741	7,587	**47,240**
Total liabilities	16,067	13,408	11,036	15,920	18,863	22,530	23,219	16,349	27,516	**97,414**
Total shareholders equity	14,068	14,867	16,647	20,702	25,317	31,811	37,497	44,790	47,327	**51,659**
Shares o/s (avg. in millions)	19.0	19.0	19.0	20.0	20.8	23.0	23.9	24.9	24.5	**24.2**
Working capital	11,081	10,083	11,667	8,742	11,677	10,466	12,807	19,006	20,208	**45,597**
DATA PER COMMON SHARE										
Revenue	$ 1.20	$ 1.25	$ 1.77	$ 2.40	$ 2.72	$ 2.89	$ 3.57	$ 3.57	$ 3.27	**$ 4.82**
EBITDA	0.18	0.17	0.17	0.29	0.41	0.51	0.66	0.71	0.59	**0.66**
EBIT	0.14	0.11	0.12	0.17	0.28	0.35	0.45	0.51	0.38	**0.43**
Net earnings	0.07	0.06	0.06	0.12	0.18	0.22	0.26	0.29	0.24	**0.30**
Cash flow	0.12	0.13	0.14	0.26	0.31	0.37	0.46	0.48	0.45	**0.53**
Dividends for year	0.01	-	0.03	0.04	0.05	0.06	0.07	0.08	0.09	**0.10**
Closing share price	n/a	n/a	1.00	1.40	1.45	1.66	2.39	3.05	3.06	**3.57**
Shareholders' equity	0.74	0.78	0.88	1.04	1.22	1.38	1.57	1.80	1.93	**2.13**
STATISTICAL DATA										
Current ratio	2.4	2.6	3.6	1.9	2.2	1.6	1.8	2.5	2.4	**1.8**
Int. bearing. debt to equity ratio	1.0	0.7	0.4	0.5	0.3	0.3	0.3	0.1	0.1	**0.2**
Number of shareholders	150	200	250	650	1,000	1,350	1,600	1,700	1,700	**1,600**
Inventory turnover	1.2	1.5	2.4	3.4	3.1	3.4	3.5	3.2	2.7	**2.8**
Gross margin (% of revenue)	32%	31%	25%	27%	29%	32%	32%	33%	33%	**26%**
EBITDA (% of revenue)	15%	13%	10%	12%	15%	18%	18%	20%	18%	**14%**
Net earnings (% of revenue)	5%	5%	3%	5%	7%	8%	7%	8%	7%	**6%**
Return on average capital	10%	8%	9%	13%	18%	21%	24%	26%	18%	**14%**
Return on average equity	10%	8%	7%	13%	16%	18%	18%	17%	13%	**15%**

Directory

Audit Committee

Edward Kennedy, Chairman
Philipp R. Ens
Allan L.V. Stewart

Legal Counsel

Perlov Stewart Kravetsky Lincoln
One Lombard Place
Winnipeg, Manitoba

Exchange Listing

The shares of Buhler Industries Inc. are listed on the Toronto Stock Exchange and trading under the symbol "BUI"

Corporate Banker

Bank of Montreal
Winnipeg, Manitoba

Cusip Number

119 918 100

Transfer Agent

Computershare Investor Services Inc.
Winnipeg, Manitoba

Corporate Office

1201 Regent Avenue West,
Winnipeg, Manitoba, R2C 3B2
Ph (204) 661-8711, Fax (204) 654-2503
Web site: buhler.com

Auditors

Gislason Targownik Peters
Winnipeg, Manitoba

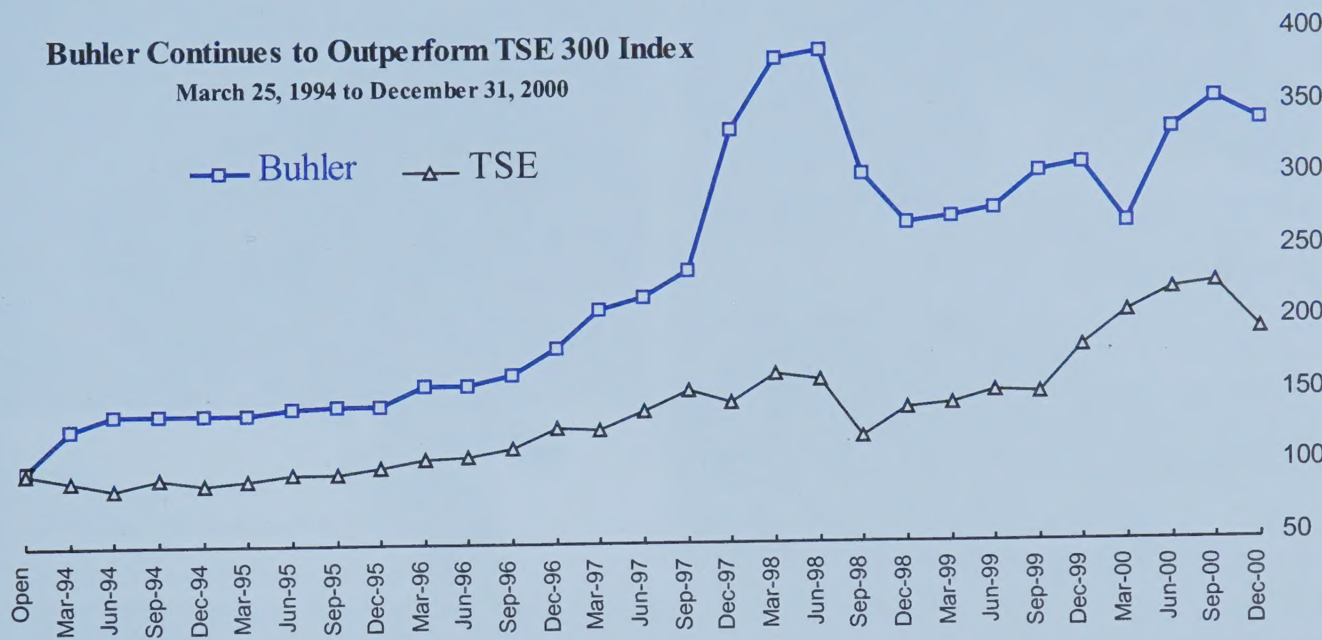
Annual Meeting

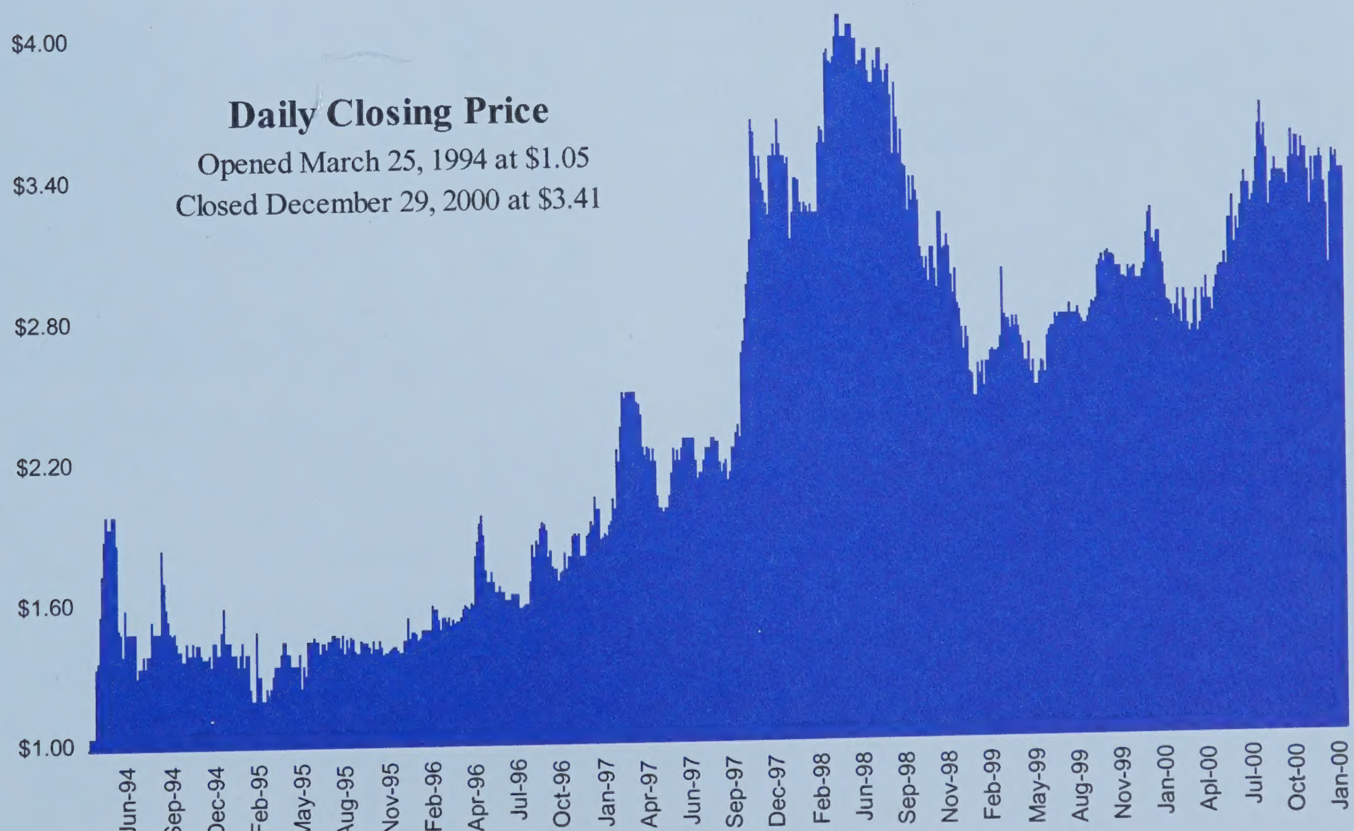
The annual meeting of shareholders will be held on Saturday,
February 3rd, 2001, at 11:00 AM,
Fairmont (Lombard) Hotel, Winnipeg

Directors, Officers and Management Team

Name	Office	Principal Occupation
Buhler, John	Chairman	CEO, Buhler Industries Inc.
Buhler, Bonita Lesley	Director	Secretary, Highland Park Financial Inc.
Chipman, Robert	Director	Chairman, Megill Stephenson Company Ltd.
Ens, Philipp R.	Director	Chairman, Triple E Canada Inc.
Kennedy, Edward	Director	President and CEO, The North West Company Inc.
Stewart, Allan, L. V.	Director	Lawyer, Perlov Stewart Kravetsky Lincoln
Engel, Craig, P. Eng.	Officer	President and Chief Operating Officer, Buhler Industries Inc.
Friesen, James H., C.M.A.	Officer	Secretary and CFO, Buhler Industries Inc.
Schroeder, Larry David	Officer	Vice President Marketing, Buhler Industries Inc.
Allison, Eric	Management	Manager, OEM Division
Bergen, Helen, C.H.R.P.	Management	Manager, Human Resources, Buhler Industries Inc.
Fillion, Jean-Guy, C.G.A.	Management	Corporate Controller, Buhler Industries Inc.
Kneeshaw, Richard, C.I.M.	Management	Operations Manager, Morden Division
Kidd, Ken, P. Eng.	Management	Operations Manager, Buhler Versatile Inc.
Lee, Min, I.S.M.	Management	CIO, Buhler Industries Inc.
Rossong, Gil, C.I.M.	Management	Operations Manager, Winnipeg Division

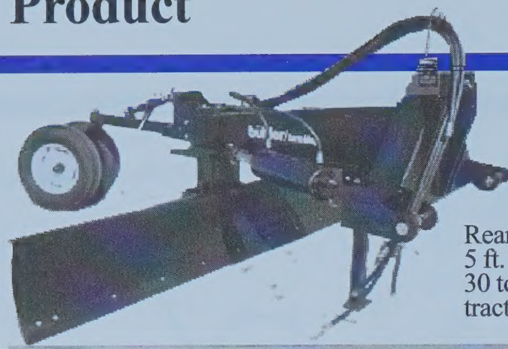
Stock Data





Year end Sept. 30	1994	1995	1996	1997	1998	1999	2000
High	2.10	1.60	1.98	2.54	4.25	3.25	3.74
Low	1.05	1.10	1.37	1.70	2.45	2.35	2.70
Close	1.40	1.45	1.66	2.39	3.05	3.06	3.57
Trading Volume *(000's)*	1,311	867	1,927	3,015	4,134	2,274	1,092

Product



Rear blades from 5 ft. to 10 ft. for 30 to 150 HP tractors

Inland Hayliner for moving large round and square bales

Inland round baler for 5 and 6 ft. round bales

Triplex mowers are designed for a manicured finish on golf courses, parks and turf.

Buhler-Weidemann 4WD all-purpose tool carrier model 1904DP Telescopic

Left to right
Jean-Guy Fillion, CGA, Controller;
James H. Friesen, CMA, Chief Financial Officer;
Min Lee, Chief Information Officer;
Reviewing computer needs for the Versatile factory.

Grain Augers:
range in size from 7" to 13"
and length up to 95 ft.

Snow Blowers:
10 models in 50" to 108"
width to fit most tractors

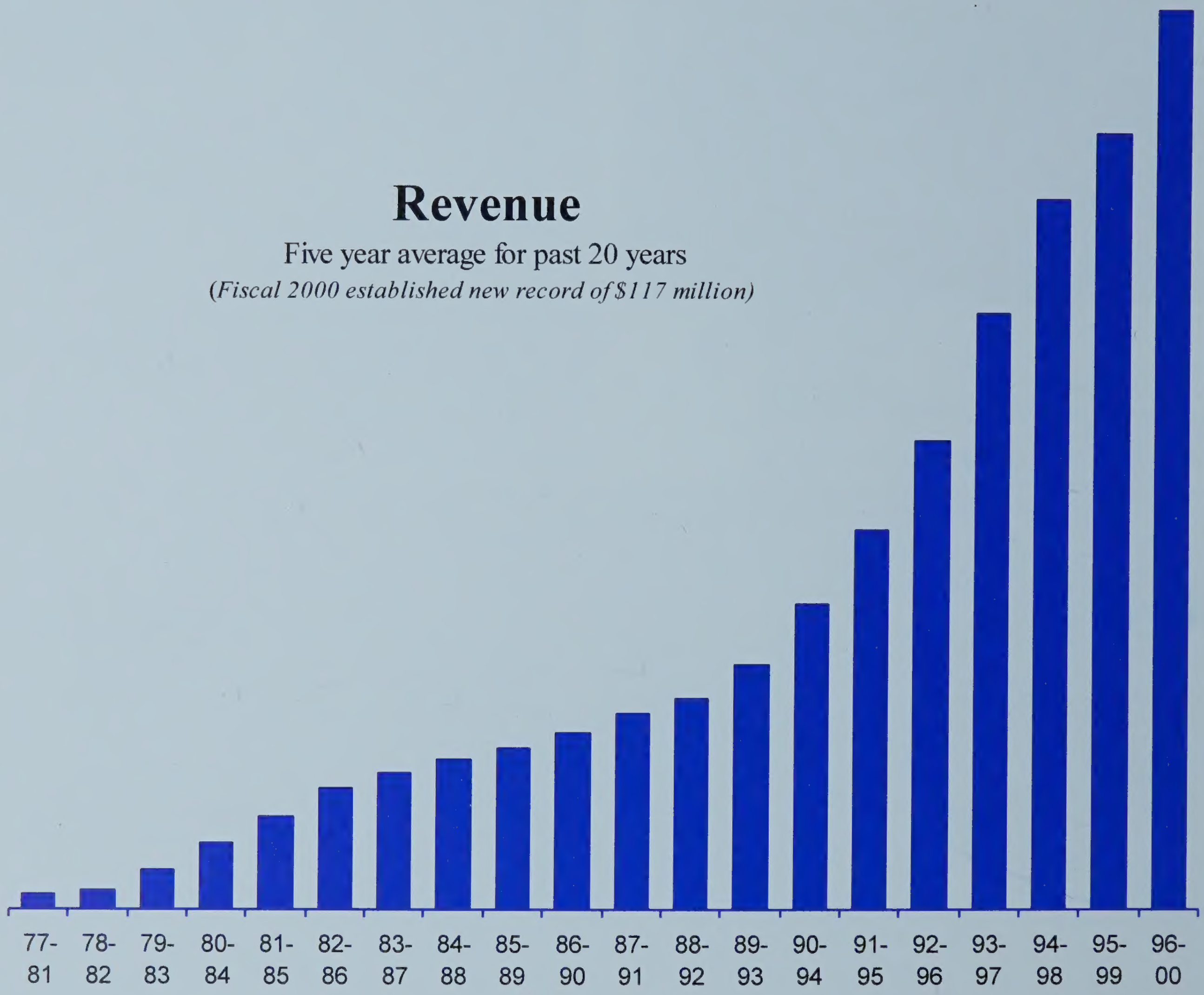
Front end loaders:
Buhler-Allied loaders are
distributed in every Province
and State in North America.

Directors:
Front row left to right
Bonnie Buhler, John Buhler, Robert Chipman
Back row left to right
Phillip Enns, Edward Kennedy, Allen Stewart

Revenue

Five year average for past 20 years

(Fiscal 2000 established new record of $117 million)



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